United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

NURSERY HANDBOOK

Product
Development
Branch

FCIC 30280-1

NURSERY CROP HANDBOOK

SUMMARY OF CHANGES/CONTROL CHART

Major Changes: See changes or additions in text which have been redlined. Three stars (***) identify information that has been removed.

1 Refines "Group 3" (table on page 5 of text) language describing how to determine reduction in value for plants damaged through an insurable cause when in an oversized container.

2 Inserts instruction to determine wholesale prices from prior records or nearby nurseries for container sizes not reported on the wholesale price list for the species.

3 Inserts language to allow reported, otherwise insurable added inventory which did not meet the dollar requirements for acreage report revision, to be excluded from Field Market Value A AND Field Market Value B determinations, provided such uninsured value had been timely reported and documentation of such has been maintained in the insured's contract file.

4 Modifies Exhibit 2, items 58 and 59, instructions to agree with Exhibit 5, items 58 and 59, actual use.

CONTROL CHART FOR: NURSERY CROP HANDBOOK - FCIC-30280-1						
	SC Page(s)	TC Page(s)	Text Page(s)	Exhibit(s)	Date	Dir. Number
Remove	1-2		5-9		3-96	Dir. 30280
Insert	1-2		5-9		9-96	Dir. 30280-1
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(RESERVED)

FEDERAL CROP INSURANCE CORPORATION
WASHINGTON, D.C. 20250

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<tr><td colspan="2">FEDERAL CROP INSURANCE HANDBOOK</td><td>NUMBER:
30280-1</td></tr>
<tr><td rowspan="3">SUBJECT:

Nursery Crop Handbook</td><td colspan="2">DATE:
September 30, 1996</td></tr>
<tr><td colspan="2">OPI:
Product Development Branch</td></tr>
<tr><td colspan="2">APPROVED: R.E. Waggoner for Tim B. Witt
Research and Development Division</td></tr>
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1 PURPOSE

This handbook identifies the crop-specific standards (requirements) for adjusting Multiple Peril Crop Insurance (MPCI) losses in a uniform and timely manner. These standards, which include crop appraisal methods and claims completion instructions, supplement the general (not crop-specific) standards for loss adjustment identified in the Loss Adjustment Manual (LAM), and replaces (with slipsheets) the appropriate Nursery Crop Handbook (FCIC-30280) pages previously issued.

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2 INSURANCE CONTRACT RESPONSIBILITIES

A <u>The insurance contract</u> is a binding agreement between the insured and the Corporation. The terms and conditions of the contract are specified in the following documents:

(1) Crop Insurance Policy;

(2) Catastrophic Risk Protection Endorsement;

(3) Nursery Crop Provisions;

(4) FCI-12, Crop Insurance Application;

(5) The Nursery Special Provisions;

(6) FCI-546, Nursery Crop Insurance Inventory Summary;

(7) County Actuarial Table;

(8) Eligible Plant Listing in effect for the state; and

(9) Other forms referred to in the Nursery Crop Guide such as the Crop (Acreage) Report, revised crop (acreage) report, and in the contract, such as the insured nursery's wholesale price list (upon which the unit amount of insurance (calculated on the FCI-546) is based), and the FCI-544, Underwriting Questionnaire, are necessary to carry out the contract provisions.

As stated in the policy AGREEMENT TO INSURE, it is the insured's responsibility to comply with all applicable provisions of the contract.

B The adjuster is responsible for determining that the insured has complied with all provisions of the insurance contract. Nursery crop provisions which the adjuster is to consider in this determination include (but are not limited to):

1 Unit division: Nursery locations within five miles of an insured location designated on the crop report are considered to be part of the same unit.

2 Records: Insurance attaches (and premium is assessed) on inventory PROJECTIONS for the crop year, utilizing the original crop year Nursery wholesale price list for the reported plant/container size for the highest month. At the time a loss is adjusted, any indemnity due will be based on the ACTUAL inventory value (determined by using the reported wholesale value for the container size) lost due to an insurable cause, based on projected recovery time, less the lesser of a monthly loss deductible or a Crop Year (annual) deductible, up to the amount of insurance for the unit. If the insurable sized container is not listed on the current wholesale price list, the wholesale price must be derived from past nursery records or other nurseries in the area.

3 Adequacy of required practices: Practices such as winter protection, fertilization, drainage, maintenance of media pH, insecticide and fungicide use, etc., which are considered good nursery practices and upon which the actuarial coverage and premium rates are based, must have been carried out.

4 **(NACAT➔** Producers may exclude frost-freeze and cold damage as an insurable cause of loss for plant species designated "M" (Mandatory) or "R" (Recommended) for over winterization on the Nursery Eligible Plant Listing, and be eligible for Risk Group A premium rates. There will be no reduction in premium rate for excluding frost-freeze coverage; frost-freeze exclusion allows insurance to attach to plant species which otherwise would be uninsurable due to lack of adequate frost-freeze protection. See sample Nursery Frost, Freeze and Cold Damage Exclusion Option form (F/FE) in Exhibit 3. The insurability and premium rate for any plant species not listed on the F/FE will be determined according to standard existing procedure. **⬅NACAT)**

3 NURSERY CROP LOSS PROCEDURE

A Basis for Insurance.

Insurance is offered to any applicant growing, for wholesale sales, insurable nursery crops meeting the requirements for acceptance under the terms of the Nursery Crop Provisions. An applicant must clearly demonstrate through sales records that the proposed insurable inventory is being grown for wholesale sales and will be marketed on a wholesale basis. Any inventory which is determined to be held for retail sales is uninsurable. The insurance provider will determine initial nursery crop insurability, coverage, and rate through

GROUP	INFORMATION
1 Plants without damage	Plants without damage are valued according to the insured's wholesale price as contained on the crop report for the plant type and container size (the same values used to establish Field Market Value "A").
2 Damaged plants that will not recover at any time after the loss occurrence	Damaged plants that will not recover to saleable quality at any time after the loss occurrence should have zero value, unless the plants are to be used for propagation. The determination that damaged plants will not recover to saleable quality at any time after the loss occurrence should be supported with photographs and opinions of nursery specialists or any other documentation that justifies the determination. The insured should be directed to follow CSREES (Cooperative State, Research, Education, and Extension Service) recommended disposal methods for plants valued as zero. Any damaged plants retained by the insured (such as retained for propagation) must be assigned an appropriate value. Plant materials retained solely for the purpose of propagation are considered uninsurable; therefore, any additional damage and loss, irrespective of cause, is considered uninsurable.
3 Damaged plants that will recover at some time after the loss occurrence	Damaged plants with the **ability to recover** at some time after the loss occurrence must be valued at a percentage of the wholesale price as described in group 1. Compute the applicable damage percentage by comparing the number of months required for the plant to recover to its before-damage growth stage (in the same-sized container). Example: Assume that a plant is damaged in a 3-inch container at a 1-month growth stage (from seedling). The wholesale price is $4 (value of 3-inch container, ready for repotting or sale after 2 months growth). The plant will require 1 month to recover back to its current (1 month) growth stage; therefore, the remaining value would be $2.00 (1 month ÷ 2 months (time necessary to reach the 3-inch container stage size) = .500 damage; 1.000 - .500 = .500 remaining value factor; $4 (3-inch container value) X .500 factor = $2.00 remaining value). If the same plant had been in an oversized container (a 12-inch container, with repotting value or wholesale sale price of $15.00 after 14 months of growth) and lost 1 month of growth as above, the remaining value would be $13.94 (1 month ÷ 14 months (time needed to reach the 12-inch container size wholesale value) = .071 damage; 1.000 - .071 = .929 remaining value factor; $15 (12-inch container value) X .929 factor = $13.94 remaining value.) The damaged plant will remain insured at a reduced value (based on recovery time remaining) until the plant recovers to the growth stage at the time of damage (1-month stage size for the example). Any additional damage resulting from the insured's failure to follow recommended damaged-plant treatment of salvageable plant material would be considered damage resulting from avoidable causes and is considered uninsurable.

GROUP	INFORMATION
3 (cont'd.) Damaged plants that will recover at some time after the loss occurrence	[NOTE: The above method allows fair valuation of damaged, recoverable plants grown in regular or oversized containers. Repotted or sale age of the plant for the container size (for the above example, 2 months for the 3-inch container and 14 months for the 12-inch container) will vary by plant species, area of the country and growing practices of the particular nursery. If the nursery repots its plants at a stage of growth that differs from other nuseries, use the insured nursery's stage for the value determination, if the differing stage can be substantiated.]

In establishing the expected number of months required for a damaged plant to recover, all available information must be considered, including qualified specialists' opinions. Those opinions must be included as part of the official claim file documentation where a dispute arises between the insurer and the insured concerning the damaged plant recovery time.

Any plant grown for a niche market (such as Poinsettia for Christmas) that is damaged by an insurable cause and due to such damage will not be a marketable plant within that niche marketing period, may be considered to have zero value, **unless the plant has some residual value (salvage or alternate market, see NOTE below) or it is to be used for propagation.** Propagation plants (such as "stock" plants used solely for cuttings, air-layering, seed production, etc.) **are not considered insurable. These plants must be assigned an appropriate value and coverage will cease.** The inability to market plants solely due to marketing conditions (such as an over-supply of Poinsettia, lack of demand, etc.) is not otherwise insurable.

This does not include plants which are marketable once they've recovered from damage, regardless of whether or not they were marketed in the initially intended manner. Such plants would be valued according to group "3" procedure as described in the table above.

NOTE: A niche market applies only to a very narrow selection of plant types (e.g., poinsettias, Easter lilies, poppies, etc.) WHICH GENERALLY CANNOT BE SOLD AFTER A SPECIFIC POINT IN TIME. Plants grown under contract for delivery are not, by themselves, considered plants grown for a niche market. Available alternate markets will prevent plants from being declared zero value. An alternate market is one that will buy the plant for some use, i.e., Poinsettia AFTER Christmas or Easter Lilies AFTER Easter, for weddings, church decorations, etc. They generally provide a lesser monetary return than the targeted seasonal market.

Plants grown for niche markets which were damaged but recover to an undamaged condition during a normal marketing period will be valued at the wholesale value contained in the crop report. Reduced values from selling undamaged plants to an alternative market is not insurable (we do not guarantee price).

F Insect or Disease Claims.

The nursery crop provisions specify that insurance is not provided against any loss caused by insufficient or improper application of insect or disease control measures. If the policyholder fails to sufficiently and properly apply control measures, subsequent insect/disease damage must be considered avoidable, and therefore uninsurable.

Claims reporting insects or disease as a cause of loss must be thoroughly documented, indicating damage was not due to pre-existing disease in stocking plants, poor or inadequate insect/disease control practices, management practices that encouraged the insect/disease (through poor hygiene or spread of the insect or inoculum), and specialists' opinions that the insect and/or disease could not be controlled. Plants that are to be destroyed to contain the spread of disease must be destroyed and that destruction verified before a claim for indemnity can be finalized. Such plants would be considered to have zero value. Plants which do not incur insurable physical damage are not covered for loss caused by the imposition of a quarantine (loss of market).

G Selection of Samples for Appraisals.

When a covered loss occurs, an inventory must be conducted of AT LEAST the damaged plants to determine the loss. If the value of UNDAMAGED plants is not known at the time of the loss, they must also be inventoried.

Plants of the same species with the same cause of loss and with a similar level of damage may be grouped into a sample group for loss adjustment/appraisal purposes. The reproducible, optional "NURSERY CROP LOSS WORKSHEET" found in Exhibit 1, page 1, may be used to help determine before-loss (Field Market Value "A") and after-loss (Field Market Value "B") values. Exhibit 1, page 2 illustrates the use of the form and the sample group concept (separate lines are used for differing species, differing container sizes, and differing degrees of value reduction (loss)).

H Special Considerations/Case Procedure.

1 Containers with multiple-species plantings are considered insurable if all species within the container are separately insurable. Over-winterization requirements and premium rates will be based upon the species with the most restrictive requirements as modified by the F/FE.

(a) Containers containing multiple-species plantings are usually considered to be of greater value than containers containing a single plant species. "Salvage value" of the remaining plant(s), where one or more plants have been destroyed, will be at least the value of the surviving plant(s)(damaged or undamaged), in the multiple-species container size.

(b) For plants with only partial damage (none have been destroyed) in a multiple-species planting, determine the multiple-

species-planting value based on recovery time of the entire multiple-species planting (in the original container size).

2 (a) When mandatory winter protection has been used for only part of an otherwise insurable-nursery-plant-species inventory requiring mandatory winter protection, only plants of that plant species having the mandatory winter protection are considered insurable **(NACAT➔** unless a Frost-Freeze Exclusion Option is in effect.**⬅NACAT)**

(b) When winter protection is recommended ("R" on the eligible plant listing), the premium rating for those plants receiving protection will be listed separately (Risk Group A) from those plants not receiving the recommended over-winter protection (Risk Group B).

3 Nursery plants are not considered insurable until they become established, even if they are planted in otherwise insurable sized containers. A plant will be determined to be established when it has a viable root and foliage system **capable** of supporting its growth without input from the food reserves of seeds, cuttings, etc.

4 The minimum-sized standard nursery container which is considered insurable must be at least 3 inches across the container's widest top dimension (such as diagonally across a square container), exclusive of any ornamentation (decorative edging, novelty container parts, etc.).

5 Ongoing, detectible damage which occurs at the end of the insurance period is to be covered by the insurance provider of record **at the time damage occurred**, provided timely notice of damage is given. If a different insurance provider is to assume liability for the subsequent, new crop year, insurance coverage is provided against insurable damage occurring within the new crop year as of the date liability is assumed (sales closing date).

Once liability is accepted by the assuming company, the assuming company is liable for coverage from that date. Completing a preacceptance inspection serves to protect the assuming company from offering coverage for damaged plants which may be reported at undamaged values (pre-existing partial damage will be excluded from full coverage). The inspection also confirms the nursery's potential to produce a marketable product without undue probability of loss.

6 Undetectable damage, whether ongoing or not, will be covered by the insurance provider of record when the damage occurred, provided the insured provides timely notice of probable damage and can establish the insurable cause and time of the damage (subject to delayed notice/delayed claim requirements as specified in the LAM).

7 If an unreported species which would have been insurable is found when making a claim-for-indemnity inspection, it is considered uninsured (under-reported) and the value of such plants WILL BE INCLUDED IN FMV-B (but not FMV-A determinations). If such unreported species is found on a preacceptance or growing season

inspection, the new species may be added to the inventory and acreage report provided it meets insurability requirements and additional premium is paid. Revised acreage reports to add inventory must meet an added-value requirement (added value greater than the lesser of 10% of the highest monthly inventory OR $25,000) for a revised acreage report to be accepted. Added inventory which has been timely reported but which does not meet acreage report revision value requirements will not be considered insured (insurable) and will not be counted for FMV-A nor FMV-B determinations, provided documentation of the uninsured, reported inventory has been maintained in the insured's file.

NOTE: Downward acreage report revisions will result in adjustment of premium ONLY when the acreage report is revised to remove uninsurable inventory from the inventory summary or when projected inventory has been over-reported for the highest month and such over-reporting can be documented. In the case of over-reported insurable inventory, the monetary limits for revised acreage reports apply.

I Specific loss calculations are discussed in the instructions for the completion of the FCI-74 (Exhibit 2). A sample "Nursery Crop Loss Adjustment Worksheet," summarizing sample data for a loss, is presented in Exhibit 1. A blank copy is provided for reproduction, if desired. A sample "Nursery Loss Calculation Worksheet" and a reproducible blank copy is provided in Exhibit 5. The forms presented in Exhibit 1 and Exhibit 5 are not mandatory.

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D **Part III - Harvested Production**.

1 General Information

a There will be NO "HARVESTED PRODUCTION" entries for preliminary inspections.

b There will be ONLY ONE LINE ENTRY for each "final" inspection (a zero is recorded in item 41).

c Each "final" inspection updates a "running tally" of prior "final" inspections (each prior and current "final" inspection notice should be listed in item 14).

2 Make the following entries (FOR "FINALS" ONLY).

Item No.		Entry or Instructions:
44-46		MAKE NO ENTRY.
47	P	MAKE NO ENTRY.
	F	LINE OUT THE PREPRINTED COLUMN HEADING and enter "DATE" above the lined-out entry. In the column, enter the date of inspection in numerical form, i.e. 5/15, to the left of the vertical line. Enter the last two digits of the year to the right of the vertical line. (This duplicates the entry in item 27 for each "final" inspection.)
48		MAKE NO ENTRY
49	P	MAKE NO ENTRY.
	F	LINE OUT THE WORDS IN THE COLUMN HEADING and enter "MAX. LIAB." above the lined-out entry. Enter the applicable amount of insurance for the unit from the FCI-546. NOTE: The FCI-546 and Acreage Report reported Amount of Insurance MUST reflect an adjustment for the determined price election percentage for CAT (60%), if CAT coverage is in effect (.60 X unadjusted Amount of Insurance = adjusted Amount of Insurance applicable to CAT). Verify that the FCI-546, Acreage Report and the Summary of Protection have stated the correct amount of insurance for the unit. Prepare a revised FCI-546 and Acreage Report if the Amount of Insurance has been reported incorrectly.
50		MAKE NO ENTRY.
51	P	MAKE NO ENTRY.
	F	LINE OUT THE WORDS IN THE COLUMN HEADING and enter "LOSS COMPARE" above the lined-out entry. **(NACAT→** Enter, in whole dollars, the lesser of:**←NACAT)** 1 The highest monthly market value for the unit multiplied by .9, minus Field Market Value B, minus the applicable remaining

deductible; OR

2 Field Market Value A minus Field Market Value B, minus the applicable remaining deductible.

If CAT coverage is applicable, multiply the lesser of 1 or 2, above, by .60 and enter the result in whole dollars.

NOTE: The applicable remaining loss deductible is the lesser of the result of subtracting item 34 from the Monthly Loss Deductible or the (remaining) Crop Year Loss Deductible, prior to this loss. See item 41 instructions. (The item 51 entry MAY EXCEED the applicable unit amount of insurance.)

52-55 MAKE NO ENTRY.

56 P MAKE NO ENTRY.

F LINE OUT THE WORD "VALUE" IN THE COLUMN HEADING AND ENTER "ACCUMULATED LOSS" above the lined-out entry. Add the item 51 entry of this "final" loss and any PREVIOUS "final" loss(es) on this unit and enter the whole dollar sum in this item. THIS ENTRY, THE TOTAL OF THE PAYABLE LOSSES FROM ALL UNIT "FINAL" FCI-74's, CANNOT EXCEED THE APPLICABLE AMOUNT OF INSURANCE FOR THE UNIT (item 49).

57 P MAKE NO ENTRY.

F LINE OUT THE WORDS IN THE COLUMN HEADING and enter "PAYABLE LOSS" above the lined-out entry.

a For the first "final" inspection, the entries for item 56 and 57 will be identical. Enter the value from item 49 if item 56 meets (or would exceed) the item 49 entry.

b For subsequent "final" inspections, subtract the item 56 entry on the PREVIOUSLY SUBMITTED "FINAL" FCI-74 from item 49 to calculate the remaining applicable amount of insurance. Enter, in whole dollars, the lesser of this difference or the item 51 entry (of the current-inspection FCI-74).

58 MAKE NO ENTRY.

59 F LINE OUT THE WORDS IN THE COLUMN HEADING and enter "PAYABLE IND." above the lined-out entry. Multiply the entry in item 57 by the insured's share, to three decimal places. Enter the result to the nearest whole dollar.

60 Narrative.

a Enter in the left portion of the narrative block, on page 1, the five-digit state and county code (LSC) for the physical location of the nursery.

b Explain any uninsured causes, unusual or controversial cases in this item, or on an attachment. If you prepare an attachment, so indicate.

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